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Allocation Of Selling Space To Increase Grocery Efficiecy

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Many food retailers are missing additional business and the opportunity to cut operating costs. They are wasting valuable selling space through failure to check periodically the turnover of the many different products they feel they must carry in stock to do business.

The problem of wasted selling space - shelves and counters carrying "dead" or slow-moving items - is applicable to all food stores from the corner grocery to the largest of supermarkets. Most operators of these stores would be surprised to learn that as much as 30 percent of their selling space is taken up by products of which they sell only one unit or less a week.

Faced with higher rentals, building, labor and other costs, food retailers realize that margins are meaningless unless the products they stock can be sold. Turnover, consistent with sound merchandising and stocking practices, is the major factor of sucess in grocery retailing.

Furthermore, effective utilization of selling space in retail food stores helps reduce the cost of food distribution. Lower retail costs are of immediate help to the retailer and, in the long run, reductions in marketing costs help producers and consumers.

The major reasons why food retailers are still carrying "dead" and slow-moving items are: Failure to eliminate these "dead" stocks; brand duplication in slow-moving items; and duplication of unit sizes in the same price range.

Study Shows How To Correct Situation

That most of this could be prevented through periodic check-ups is pointed up in a recent joint study by the National Association of Retail Grocers of the United States and the U. S. Department of Agriculture. The study revealed that the allocation of selling space in grocery departments in relation to a particular product's sales performance will eliminate the "dead" items; increase the turnover of slow-selling items; reduce out-of-stock conditions; reduce duplication of unit sizes and brands; and make space available for new items.

The study was conducted in 9 successfully and independently operated food stores in the midwest with an annual sales volume of $150,000 to $1,500,000, and 2 stores of a local chain on the Atlantic Seaboard with

an annual sales volume of $1.5 and $2.5 million respectively. A total of 700 to 1,000 items of 15 to 19 grocery categories in each of the 9 stores and approximately 300 items of 2 categories in each of the 2 stores were studied. The 19 grocery categories covered in the study were: Pickles, olives and relish; Baking supplies; Canned juices; Oils and salad dressings; Beverages (not including soft drinks); Cereals; Baby Food; Spreads; Soups; Condiments; Canned vegetables; Canned fruits; Canned meat and chicken; Canned fish; Canned milk, Sugar; Pet foods; Soaps; Dietetic foods.

The relationship between the number of units sold for 15 comparable categories in the 9 midwest stores to the number of items and brands stocked, turnover and units sold per brand is shown in Table 1. Although the 3 largest stores of the group of 9 sold 228 percent more units that the 3 smallest stores, these 3 largest stores stocked only 19 percent more items and 16 percent more brands. Hence, units sold per item and per brand were considerably higher in the group of larger stores. Annual turnover was essentially the same for the medium and large size stores. The average annual turnover among the stores studied ranged from a low of 7 to a high of 20 partly because of the difference in trade areas, management, and size of stores.

Table 1.-- Relation of number of units sold (4-week period) to number of items and brands stocked, turnover and units sold per brand for 15 comparable categories in 9 stores, 1953 1/

Store group : by number of: units sold :	Items Stocked :	Brands Stocked :	Units in full display:	Units Sold :	Average Annual Turnover :	Average units sold per brand
:	Number	: Number	: Number	: Number :	Number	: Number
3 small.....:	2,016	: 663	: 46,124:	33,764:	9.5	: 50.9
3 medium....:	2,114	: 754	: 60,325:	65,149:	14.0	: 86.4
3 large.....:	2,394	: 767	: 105,978:	110,855:	13.6	: 144.5

1/ Include item and brand duplication among stores.

The percentage of items with different unit sales per item for the midwest food stores in which 15 or more categories were studies are shown in Figure 1. As can be noted from the figure, at least 29 percent of the items studied in each store had sales of 10 units or less during a 4-week test period. The average for the 9 stores showed 6.5 percent of all items studied with no sales during the 4-week period; 23.4 percent with 1 through 5 unit sales; 13.8 percent with 6 through 10 units; 18.3 percent with 11 through 20 units; 10.8 percent with 21 through 30 units; and 27.2 of all items observed with sales of over 30 units in 4 weeks.

None of the 11 operators included in the study had followed a systematic stocking plan. They applied the research results obtained from their individual store by the following procedure:

1. Discontinued handling "dead" items and many of the slow-moving items for which comparable items of other brands or other sizes of the same brand were stocked.

2. Based upon the sales performance of each item during the 4-week test period and consistent with what the operators, wholesaler supervisor and researcher believed to be good merchandising stocking practices, most displays were stocked in the following manner:

a. Very fast moving items -- less than 1 week's supply was stocked to obtain more than 52 turnovers per year;

b. Fast moving items -- between 1 and 2 weeks' supply was stocked to obtain more than 26 turnovers per year;

c. Medium moving items -- about a 2 weeks' supply was stocked to obtain about 26 turnovers per year;

d. Slow moving items -- a minimum display was stocked.

Such considerations as (1) store size in relation to total sales and number of items carried; (2) stocking full rows; (3) margin differentials; (4) shelf positions; and (5) number of units packed in a case necessitated some modification in applying the above plan.

3. Stocking new items which the operators thought would be good movers in their stores in the space made available through the discontinuance of items and the decreased size of shelf displays.

Adjustments made in 3 stores for which complete data were available are shown in Figure 2. For the 16 or more categories reported in the 3 stores, the operators discontinued handling an average of 10 percent of the items formerly stocked and reduced the number of units displayed of the items formerly stocked by about 30 percent.

Study Results and Questions Raised

The results of the study indicate the need for a periodic and systematic examination of the movement of most items stocked in retail food stores. Even the above average operations surveyed indicated that many "dead" and slow-moving items were being stocked which could be advantageously discontinued and replaced by items more in demand by customers. Thus by increasing sales and turnover and reducing "outs" the operation would become more profitable as well as serve customers better.

The study raises such questions as:

1. Should cases of slow moving items be broken at the warehouse?

2. Should some merchandise be packed in smaller cases?

3. Should gondolas be made more shallow and with additional shelves to allow for more display space?

4. How can "dead" and slow moving items be detected?

5. When and how should brands, items and unit sizes be duplicated?

Fig. 1. Percentage of items with different unit sales per item in 9 midwest stores during a 4 week period, 1953
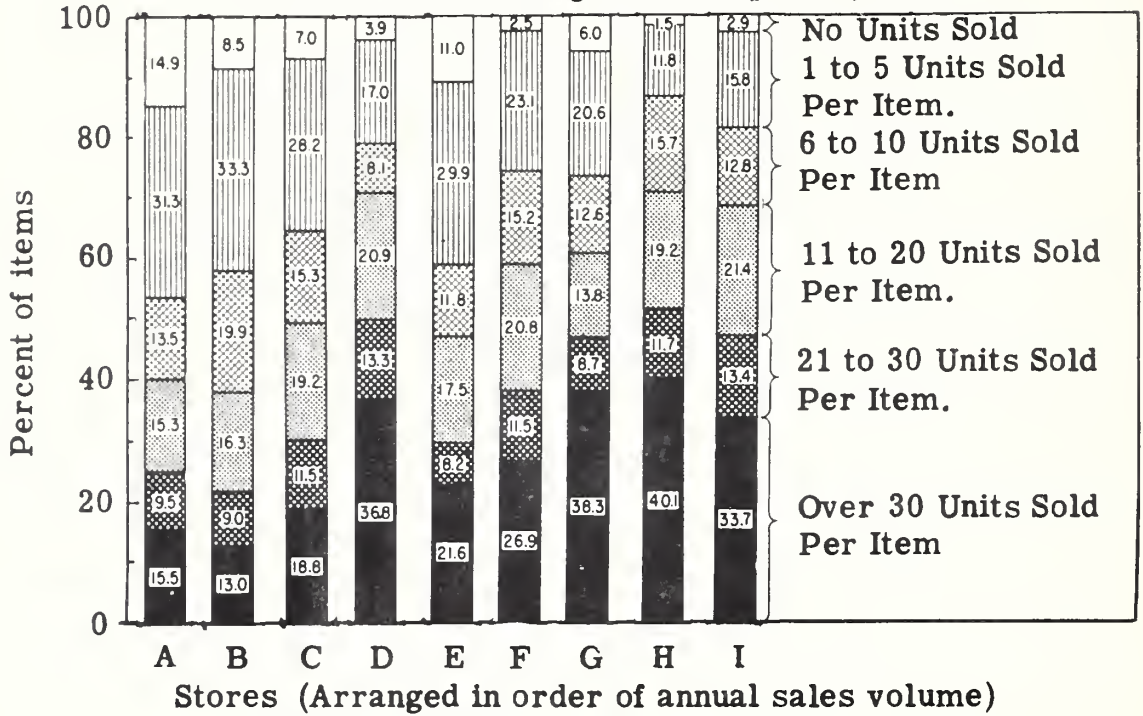

Fig. 2 Proportion of the items, rows and units remaining on display of those that were displayed during the survey in stores B, C, and H.